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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE  
10 September 1954

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TO : Deputy Director (Intelligence)

SUBJECT: Weekly Summary of Trieste Developments

During the last two weeks progress toward a Trieste settlement remained at a virtual standstill. The other issues having been either settled or provisionally agreed to subject to a territorial settlement, all efforts were directed toward finding an acceptable frontier. Several territorial compromises were proposed by the Western delegates, but all were rejected. The negotiations have not been allowed to break down, however, and on 10 September Foreign Secretary Eden made one more proposal to Yugoslav delegate Velebit.

Meanwhile, it has been decided in London and Washington that the talks had reached a stage where high level approaches to President Tito and Prime Minister Scelba were necessary to end the impasse. Arrangements have been made for a special representative of the Department of State, Deputy Undersecretary of State Robert Murphy, to arrive in Belgrade on 15 September to initiate conversations with Tito, following which he is to go to Rome. His talks with Tito will not be confined to Trieste, but will also cover economic problems, particularly Yugoslavia's need for wheat, and other matters concerning Yugoslav-American relations. (Aid offers, particularly for wheat, are apparently being considered as a possible last-ditch incentive to obtain Yugoslav concessions.)

The territorial proposals have been designed primarily to satisfy Italy's demands for concessions along the coast. The Yugoslavs, however, have remained adamant in their refusal to concede anything beyond the line they agreed to on 31 May. In general the current proposals have involved quid pro quo compromises rather than concessions on one side in favor of the other.

State Dept. review completed

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The latest proposal (see map) entails Italian concession of the "rockpile," that area in Zone B which according to the 31 May demarcation line was to go to them, in return for Yugoslav concessions at the Western end of the proposed frontier. Although Velebit has indicated that this "rockpile swap" would be unacceptable to Belgrade, it is essentially the proposal that Eden pressed Velebit to accept on 10 September. The foreign secretary in effect informed Velebit that an impasse had been reached, that the Italians will not accept the 31 May demarcation line, but that he had reason to believe that they would accept the "rockpile swap." He asked that the Yugoslavs consider carefully whether they could not, in order to save the negotiations, agree to this or something approaching it. It is possible that the Yugoslavs would have to concede only the small wedge north of line 50 for the "rockpile."

Ambassador Riddleberger continues to doubt the wisdom of going back to the Yugoslavs on territory, but feels that if such a decision is reached, a "balanced proposition" must be made. He suggested on 3 September that in view of Velebit's earlier attitude on the "rockpile swap," a proposal involving the "Basovizza area" would offer a better chance of acceptance. He fears, however, that if the Yugoslavs would entertain such a proposal at all, they would insist upon the entire "Basovizza corner" which they abandoned last spring only after much Western effort. He has subsequently suggested that if it is absolutely necessary to insist upon Yugoslav territorial concessions along the coast to meet Italian demands, a combination of "Basovizza" and a generous response on the recent Yugoslav request for large supplies of United States wheat might make it possible to close the deal. It seems, however, most unlikely that the Italians would give up both "Basovizza" and the "rockpile" for coastal concessions, but the possibility exists of other Italian concessions in Zone A adjoining the Yugoslav frontier.

In Rome there was serious concern this week over possible internal repercussions from the Trieste situation. On 4 September American chargé Durbrow reported that both Foreign Minister Piccioni and Christian Democratic Party secretary Fanfani were strongly opposed to any settlement that did not provide coastal territorial concessions to Italy.

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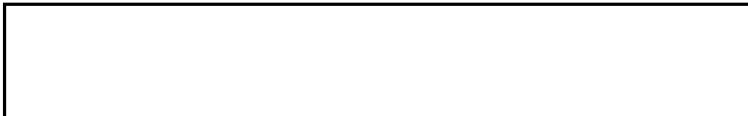
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The urgency of the situation is increased by the approach of the 8 October anniversary of the Anglo-American declaration of 1953. Durbrow reported on 6 September that the government would "face the risk of extremist disorders," particularly Communist, on that anniversary.

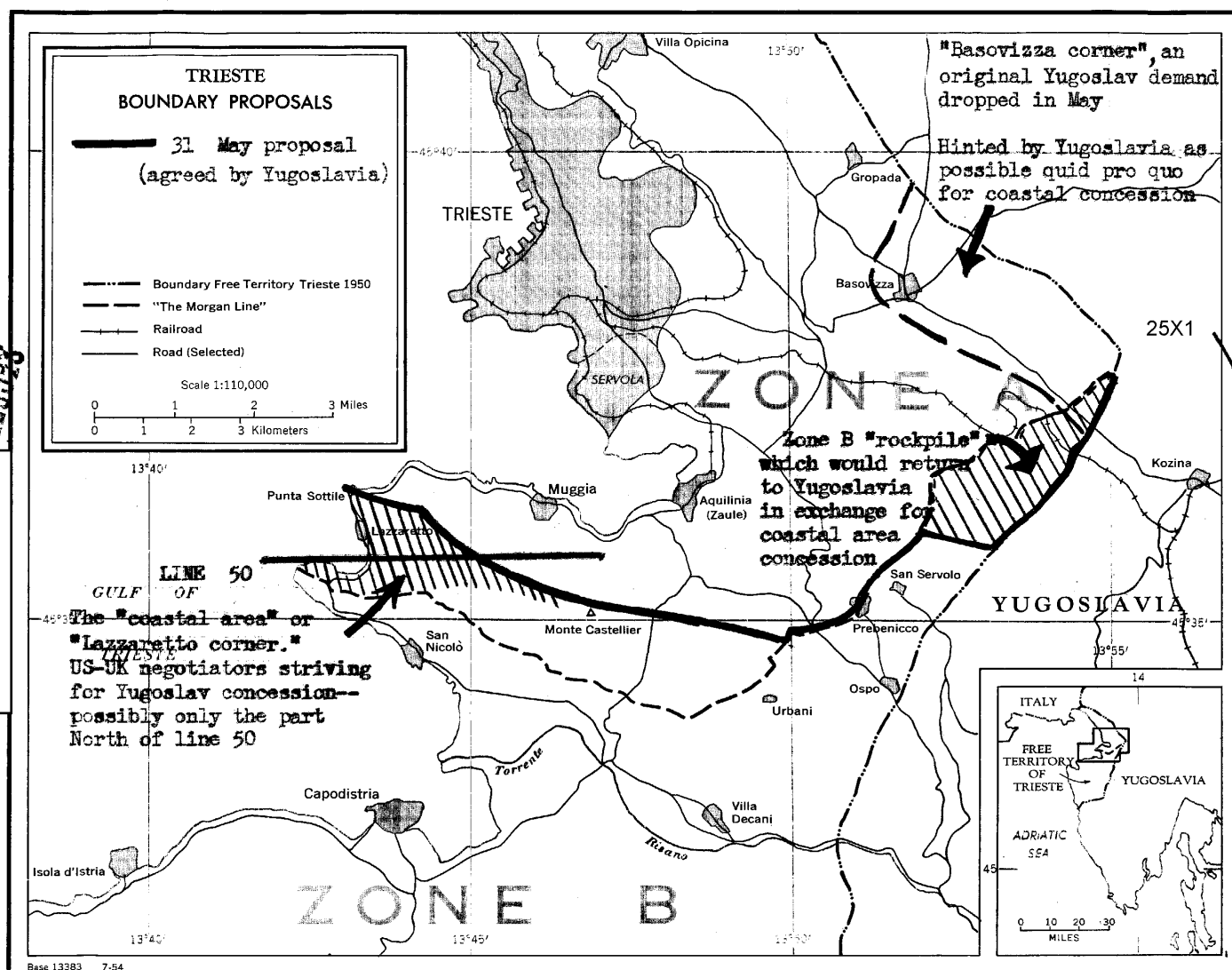
Meanwhile, in Trieste, the opposition press was trying to cause embarrassment to the Italian government over the police discovery of 39 cases of arms and ammunition of American and British manufacture, apparently from NATO supplies. These arms had evidently been brought to Trieste last autumn--perhaps with the assistance of the Trieste center parties and the Pella government--for use by pro-Italian partisans against the Yugoslavs. The American embassy in Rome commented on 4 September that any public revelation of such a connection could have "serious results" and could "fit perfectly with Communist plans" for action protesting Trieste partition. This week AMG in Trieste was investigating quietly.

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